

Message Text

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ACTION EB-08

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SUBJECT: COUNTRY COMMERCIAL PROGRAM(CCP)--PRELIMINARY 1979
INPUT-JAPAN

REF: STATE 044899

1. FOLLOWING IS MISSION'S PRELIMINARY INPUT FOR FY 1979 CCP:

2. RECOMMENDED CAMPAIGNS:

(A) CAMPAIGN 1. PRIORITY 1. CONSUMER GOODS.

OBJECTIVE AND RATIONALE: JAPANESE CONSUMPTION OF IMPORTED CONSUMER PRODUCTS IS EXPECTED TO GROW FASTER THAN THE OVERALL ANNUAL RISE IN THE JAPANESE GNP THROUGH 1985. HEREOFRE, THERE SHOULD CONTINUE TO BE A GROWING MARKET FOR CERTAIN CATEGORIES OF AMERICAN-MADE CONSUMER PRODUCTS. THE MISSION WILL MONITOR JAPANESE CONSUMER PREFERENCES, WHICH ARE BECOMING MORE AND MORE DISCERNING, TO IDENTIFY THOSE AMERICAN CONSUMER PRODUCTS WHICH HAVE THE BEST MARKET IN JAPAN. THE MISSION WILL CONTINUE TO WORK WITH DEPARTMENT STORES AND OTHER MASS MERCHANDISE RETAILERS TO PROMOTE AMERICAN PRODUCTS, AND WILL MAKE SPECIAL EFFORTS TO FACILITATE THE DISTRIBUTION OF AMERICAN CONSUMER GOODS INTO SMALLER CITIES AND RURAL AREAS OUTSIDE THE TOKYO AND OSAKA-KOBE AREAS. THE FOREIGN BUYERS PROGRAM HAS

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SHOWN ITSELF TO BE PARTICULARLY POPULAR AMONG JAPANESE BUSINESS MEN IN THE RETAIL BUSINESS SECTOR AND MISSION WILL ATTEMPT TO ENCOURAGE BUSINESS TRAVEL TO THE U.S. AMONG A WIDER SEGMENT OF THIS INDUSTRY.

(B) CAMPAIGN 2. PRIORITY 2. COMPUTER EQUIPMENT AND SYSTEMS.

OBJECTIVE AND RATIONALE: JAPAN ALREADY IS THE WORLD'S SECOND LARGEST USER OF COMPUTERS AFTER THE UNITED STATES, BUT CURRENT PROJECTIONS INDICATE THAT EVEN GREATER GROWTH WILL OCCUR IN THE FUTURE. THE JAPANESE DOMESTIC MARKET IS EXPECTED TO GROW AT AN ANNUAL RATE OF 12 PERCENT UNTIL 1985, WHEN THE TOTAL MARKET SIZE WILL REACH \$8.7 BILLION. US MANUFACTURERS OF COMPUTER EQUIPMENT AND SYSTEMS, INCLUDING SOFTWARE AND OTHER COMPUTER SERVICES, HAVE AN EXCELLENT OPPORTUNITY TO PARTICIPATE IN THE GROWTH OF THIS MAJOR MARKET.

JAPANESE DOMESTIC MANUFACTURERS HAVE BEEN MAJOR COMPETITORS OF US COMPANIES IN THE JAPANESE MARKET SINCE MID-1975, AND THE MOST IMPORTANT TASK OF THIS CAMPAIGN WILL BE TO MAINTAIN THE POSITION OF US COMPUTER EQUIPMENT IN THE JAPANESE MARKET.

(C) CAMPAIGN 3. PRIORITY 3. SCIENTIFIC, LABORATORY AND PROCESS CONTROL INSTRUMENTATION.

OBJECTIVE AND RATIONALE: U.S.-MADE PRODUCTS MAKE UP ABOUT 75 PERCENT OF JAPANESE IMPORTS OF ADVANCED SCIENTIFIC AND LABORATORY EQUIPMENT (INCLUDING ANALYTICAL INSTRUMENTS, RADIOLOGICAL INSTRUMENTS AND LASERS) AND OF PROCESS CONTROL INSTRUMENTS. SOPHISTICATED U.S. EQUIPMENT IN THIS PRODUCT CATEGORY IS WELL REGARDED AMONG JAPANESE USERS. ALTHOUGH COMPETITION IN GENERAL FROM THIRD COUNTRY PRODUCTS IS COMPARATIVELY WEAK, JAPANESE ARE PRODUCING SOPHISTICATED PRODUCTS WITH HIGHLY ADVANCED TECHNOLOGY. THEREFORE, U.S. SUPPLIERS MUST CONSTANTLY INTRODUCE NEW ADVANCED PRODUCTS TO

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MAINTAIN THEIR MARKET SHARE. THE MISSION WILL UNDERTAKE SPECIAL EFFORTS TO ASSIST NEW U.S. FIRMS TO ENTER THE MARKET AND TO DISSEMINATE INFORMATION ON THE NEW TECHNOLOGICAL DEVELOPMENTS BEING MADE BY U.S. INDUSTRY IN THIS FIELD.

(D) CAMPAIGN 4. PRIORITY 5. MATERIALS AND EQUIPMENT FOR THE ELECTRONIC INDUSTRY.

OBJECTIVE AND RATIONALE: THE ELECTRICAL MACHINERY AND ELECTRONICS INDUSTRY RANKS FOURTH AMONG ALL OF JAPAN'S INDUSTRIES. TOTAL OUTPUT FOR THE ELECTRONICS INDUSTRY ALONE IN 1976 WAS \$19.9 BILLION, WITH ANNUAL GROWTH RATES OF 8.7 PERCENT PROJECTED THROUGH 1980. ANNUAL MARKET GROWTH RATES OF 15 PERCENT FOR ELECTRONIC COMPONENTS AND 8 PERCENT FOR PRODUCTION AND TEST EQUIPMENT ARE EXPECTED THROUGH 1980. US MANUFACTURERS OF ELECTRONIC COMPONENTS, PARTS, AND MATERIALS, AND PRODUCTION AND TEST EQUIPMENT FOR THE ELECTRONICS INDUSTRY HAVE A MAJOR OPPORTUNITY TO SUPPLY THIS

THRIVING INDUSTRY WITH TECHNOLOGICALLY-SUPERIOR MATERIALS AND EQUIPMENT.

(E) CAMPAIGN 5. PRIORITY 6. BIOMEDICAL EQUIPMENT
OBJECTIVE AND RATIONALE: THE SHARE OF IMPORTED BIOMEDICAL EQUIPMENT HAS BEEN RISING AND IT ACCOUNTED FOR 12 PERCENT OF THE TOTAL MARKET IN 1975 WITH U.S. SUPPLYING 40 PERCENT OF TOTAL IMPORTS. U.S. BIOMEDICAL EQUIPMENT IS WELL REGARDED AMONG JAPANESE DOCTORS, BUT IT FACES INCREASINGLY STIFF COMPETITION FROM DOMESTIC AND EUROPEAN SUPPLIERS. THE MISSION WILL MAKE SPECIAL EFFORTS TO ASSIST NEW U.S. FIRMS TO ENTER THE MARKET AND TO PUBLICIZE NEW DEVELOPMENTS IN THE FIELD OF U.S. MEDICAL EQUIPMENT.

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(F) CAMPAIGN 6. PRIORITY 7. PRINTING AND GRAPHIC ARTS EQUIPMENT.
OBJECTIVE AND RATIONALE: THE JAPANESE MARKET FOR PRINTING AND GRAPHIC ARTS EQUIPMENT IS EXPECTED TO GROW BY 8-9 PERCENT PER ANNUM UNTIL 1981, WHEN THE TOTAL MARKET WILL REACH \$467 MILLION. DUE TO THE RECESSION OF 1974-75, A GOVERNMENT-SPONSORED MODERNIZATION PROGRAM FOR THE PRINTING INDUSTRY, SCHEDULED TO END BY 1977, HAS FALLEN SHORT OF COMPLETION AND WILL PROBABLY BE CONTINUED FOR SEVERAL MORE YEARS. THIS AND A SIMILAR GOVERNMENT PROGRAM FOR THE BOOKBINDING INDUSTRY DURING JFY 1976-80 SHOULD PROVIDE INCREASING SALES OPPORTUNITIES FOR U.S. EQUIPMENT. THIS CAMPAIGN WILL AIM AT INCREASING JAPANESE END-USER EXPOSURE TO NEW U.S. DEVELOPMENTS IN THE FIELDS OF PRINTING AND BOOK BINDING EQUIPMENT.

(G) CAMPAIGN 7. PRIORITY 8. BUILDING SYSTEMS, PRODUCTS,

AND EQUIPMENT.

OBJECTIVE AND RATIONALE: ALTHOUGH THE BUILDING INDUSTRY HAS NOT YET FULLY RECOVERED FROM THE 1974-75 RECESSION, THE MINISTRY OF CONSTRUCTION HAS SET A BUILDING TARGET OF 8.6 MILLION HOUSING UNITS IN THE 1976-80 PERIOD. THE 2 X 4 HOUSING CONSTRUCTION SYSTEM, WITH ITS STANDARDIZED MATERIALS, LABOR-SAVING METHODS, AND THUS LOWER COSTS, IS SLOWLY BUT STEADILY SPREADING THROUGHOUT JAPAN. THIS MEANS INCREASING SALES

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OPPRNTNITIES FOR U.S. PRODUCTS IN THIS FIELD.

THE MISSION'S CAMPAIGN WILL BE AIMED PRIMARILY AT PROMOTING FUTURE PURCHASES OF U.S. LUMBER, PLYWOOD, AND OTHER BUILDING MATERIALS AS WELL AS EQUIPMENT BY INCREASING INDUSTRY AWARENESS OF U.S. BUILDING SYSTEMS.

(H) CAMPAIGN 8. PRIORITY 10. AUTOMOBILE PARTS AND ACCESSORIES.

OBJECTIVE AND RATIONALE: JAPAN IS THE WORLD'S SECOND LARGEST PRODUCER OF AUTOMOBILES AFTER THE US. A TEN-YEAR INDUSTRY FORECAST BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) INDICATES CONTINUED STABLE GROWTH OF THE AUTOMOTIVE INDUSTRY THROUGH 1985 WHEN THE SIZE OF THE PARTS AND ACCESSORIES MARKET ITSELF IS ESTIMATED AT \$9 BILLION. AUTOMOBILE PARTS AND ACCESSORIS HAVE TRADITIONALLY BEEN FURNISHED TO JAPAN'S TWO LARGEST AUTO MANUFACTURERS BY MEMBERS OF THEIR OWN INDUSTRIAL GROUPS OR BY SUB-CONTRACTORS. OTHER MANUFACTURERS HOWEVER, INCLUDING ONE WHICH HAS MADE RECENT SPECTACULAR GAINS IN PRODUCTION, DO NOT NECESSARILY FOLLOW THIS PATTERN. INCREASING COSTS WITHIN THE DOMESTIC MARKET AND EXTERNAL PRESSURES, REAL OR IAGINED, ON JAPAN TO RECTIFY TO SOME EXTENT ITS TRADE IMBALANCE SHOLD PROVIDE PPORTUNITIES FOR AGGRESSIVE, HIGH QUALITY U.S. PARTS MANUFACTURERS TO BECOME OEM SUPPLIERS TO JAPAN. THE PRIMARY TASK OF THIS CAMPAIGN WILL BE TO HELP IDENTIFY THOSE AREAS MOST SUSCEPTIBLE TO PENETRATION BY U.S. MANUFACTURERS.

(I) CAMPAIGN 9. PRIORITY 11. POLLUTION CONTROL AND MEASURING EQUIPMENT.

OBJECTIVE AND RATIONALE: IT IS EXPECTED THAT DURING JAPAN'S FISCAL 1977 THE MARKET FOR POLLUTION CONTROL AND MEASURING EQUIPMENT WILL NOT REACH CURRENT ANNUAL LEVEL OF \$2.7 MILLION. COMPETITION WILL ALSO BE MRE SEVERE AS A RESULT OF THE ENTRY OF NUMEROUS

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JAPANESE PRODUCER INTO THE MARKET DURING THE PAST FEW YEARS. HOWEVER AS THE ENVIRONMENT AGENCY OF THE GOVERNMENT OF JAPAN CONTINUES TO INTRODUCE RIGOROUS POLLUTION CONTROL STANDARDS, AND AS BUSINESS CONDITIONS IMPROVE, DEMAND FOR THIS PRODUCT CATEGORY MAY BE EXPECTED TO RISE AGAIN. BECAUSE OF TRANSPORTATION COSTS AND PROBLEMS OF ADOPTING TO JAPANESE REQUIREMENTS, AMERICAN EQUIPMENT NOW IS LESS SOUGHT AFTER THAN AMERICAN TECHNOLOGY IN THIS PRODUCT CATEGORY. EQUIPMENT PRESENTLY ENJOYS A COMPARATIVELY PROMISING END-USER MARKET IN THE FOLLOWING SECTORS: SEWAGE TREATMENT, NUCLEAR POWERGENERATION, ELIMINATION OF NOX, AND NOISE AND VIBRATION. TO PUBLICIZE NEW DEVELOPMENTS IN THIS U.S. INDUSTRY THE MISSION PLANS TO ORGANIZE FOREIGN BUYER GROUPS FOR POLLUTION CONTROL EQUIPMENT SHOWS TO BE HELD IN THE UNITED STATES.

3. OTHER SPECIAL POST EFFORTS

(A) ACTIVITY 1. PRIORITY 4. ASSIST AND ENCOURAGE U.S. FIRMS TO TAKE ADVANTAGE OF JAPAN'S LARGE REGIONAL MARKETS.

DESCRIPTION/JUSTIFICATION: MANY U.S. MANUFACTURERS REPRESENTED IN JAPAN ARE NOT, FOR A VARIETY OF REASONS, TAKING FULL ADVANTAGE OF THE SIZEABLE SALES POTENTIAL OF JAPAN'S LARGE REGIONAL MARKETS OUTSIDE OF TOKYO AREA. THROUGH A NUMBER OF SPECIAL PROJECTS ESPECIALLY GEARED TO LOCAL BUSINESS CONDITIONS, THE U.S. CONSULATE GENERALS IN NAHA AND OSAKA-KOBE AND THE U.S. CONSULATES IN FUKUOKA AND SAPPORO WILL ATTEMPT TO IMPROVE U.S. PENETRATION OF THE REGIONAL MARKETS. (EMBASSY NOTE: IT IS INTENDED THAT UNDER THIS ACTIVITY WILL BE LISTED THE SPECIAL PROJECTS OF THE FOUR CONSTITUTENT POSTS WHICH DO NOT FIT INTO THE UNCLASSIFIED

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MISSION CAMPAIGNS.)

(B) ACTIVITY2. PRIORITY 9.

MOUNT CONCERTED CAMPAIGN TO DISSEMINATE INFORMATION ON THE MISSION'S COMMERCIAL SERVICES.

DESCRIPTION/JUSTIFICATION: JAPANESE FIRMS OUTSIDE THE

MAJOR BUSINESS CENTERS ARE FREQUENTLY UNAWARE OF THE COMMERCIAL SERVICES AVAILABLE THROUGH THE U.S. MISSION. THROUGH DIRECT MAILINGS, CAMPAIGNS, PERSONAL CALLS, AND PRESENTATIONS TO BUSINESS GROUPS. THE MISSION WILL MAKE SPECIAL EFFORTS TO INFORM JAPANESE FIRMS ABOUT THE COMMERCIAL ACTIVITIES OF EMBASSY, U.S. TRADE CENTER AND CONSTITUENT POSTS TO ENCOURAGE THEM TO LOOK INCREASINGLY TO THE U.S. AS A SOURCE OF SUPPLY.

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